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Woodland Hills-based NetZero to launch free wireless broadband service

By Peter Svensson, Associated Press

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It's like the `90s never left: Billy Crystal hosted the Oscars. Internet IPOs are back. And NetZero is returning with free Internet service -only this time it's wireless.

Woodland Hills-based United Online Inc. announced Monday that it will offer free wireless Internet service under its NetZero brand, the one that started the free dial-up phenomenon in 1998. The company is backing up the plan with TV, print and online advertisements.

There are plenty of catches with the free plan. United Online isn't offsetting its costs by making users look at advertising, as it did with its original offer of free dial-up Internet access. The "free" users will be money-losers for the company, United Online Chairman and CEO Mark Goldston said. That means United Online is using the free plan as a way to lure customers with the hope of upselling them to paying plans, which start at $9.95 per month.

To take advantage of the offer, consumers will need to buy a $50 antenna stick that plugs into a laptop, or a $100 "mobile hotspot" that allows any Wi-Fi equipped device to connect to the Internet. United Online will be selling the devices on the NetZero website.

The free accounts are limited to 200 megabytes of data per month-enough for some email and Web surfing, but little else. Half an hour of full-screen streamed video will eat up the whole month's allotment. By comparison, AT&T Inc.'s cheapest wireless data plan costs $14.95 per month for slightly more data - 250 megabytes per month - but that plan is only available for tablets with built-in cellular modems.

When the monthly traffic allotment is exhausted, NetZero cuts off Internet access until the start of the next month, and users are prompted to upgrade to the paid plan.

NetZero will only let users ride free for a year. If they switch to a paid plan, they won't be able switch back to the free one.

The $9.95 plan will provide 500 megabytes of traffic for a month. For $50 per month, subscribers get 4 gigabytes of data per month. That's enough for some video watching, but not enough to replace a household's cable or DSL modem. A Verizon Wireless plan that's contract-free, like NetZero's, provides 1 gigabyte for the same price.

United Online doesn't have a wireless broadband network of its own. Instead, it's renting capacity on Clearwire Corp.'s network. It's the same network used by Sprint Nextel Corp. to provide "Sprint 4G" data service. Several cable companies, including Comcast Corp., also resold access to Clearwire's network under their own brand. However, they've pulled out of that deal to focus on a partnership with Verizon Wireless.

Clearwire's network has a few problems: it's based on a broadband technology that the rest of the industry has bypassed, which means the selection of compatible devices is limited. Because of the frequency it uses, the signal has difficulty penetrating into buildings. Both Sprint and the cable companies used Sprint's slower cellular data network as a

fallback option, but NetZero's devices rely only on Clearwire, which means coverage at decent signal strength may be spotty.

Clearwire has stopped investing in this network and is instead raising money for a new network that uses the industry-standard "LTE" technology.

According to Clearwire's financial statements, it received an average of $6.34 per month in the fourth quarter for each wholesale subscriber, most of whom are "Sprint 4G" smartphone users.

United Online has about 750,000 dial-up subscribers left, Goldston said. Internet service is a minor part of its overall business: it makes more from owning flower-delivery service FTD and "online nostalgia services" like Classmates.com.

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